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Chairman: Mr. Suazo ..... (Honduras)
Later: Mr. Benmellouk (Vice-Chairman) ..... (Morocco)

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The meeting was called to order at 4.40 p.m.

Agenda item 84 (a): Macroeconomic policy questions: International trade and development
(A/57/15 (Part I and Part II) and A/57/376)

1. **Mr. Ricupero** (Secretary-General of the United Nations Conference on Trade and Development (UNCTAD)), referring to a text drawn up by his delegation and distributed at the meeting, recapitulated some recent developments regarding international trade, one of the few international relations areas in which multilateralism continued to be held in high regard by all nations and a positive exception to the current trend of applying unilateral solutions to international problems. For instance, multilateral negotiations in Geneva were advancing, while various powerful nations had accepted unfavourable World Trade Organization (WTO) rulings and committed themselves to implementing them. To properly safeguard and strengthen that "exception", two basic threats to the multilateral trade system should be recognized: proliferation of bilateral or regional agreements aimed at resolving trade-related issues; and failure to deliver on national promises and commitments made at Doha, especially - although not exclusively - in relation to the so-called Doha Development Agenda (DDA).

2. Regarding the first of these threats, there was - despite the afore-mentioned clear preference for the multilateral approach to international trade - a growing trend towards bilateral or regional free trade agreements, which - although usually presented as building blocks to meaningful trade liberalization - could actually become stumbling blocks, if they led to a labyrinth of specific preferential rules that would be difficult to incorporate into multilateral negotiations. Such agreements attacked the heart of the trading system and therefore represented a serious threat to multilateral arrangements. Until 1985, various countries, for instance, the United States, had been consistently taking the multilateral approach and did not even consider concluding any bilateral or regional agreements. Since then, however, and in particular since the start of the Uruguay Round, such agreements had increased in number and were signed or sought by nations such as Japan, Singapore or Australia, which had previously firmly resisted the bilateral trend. For instance, a bilateral free-trade agreement had recently been concluded by Japan and Singapore. Although not in themselves negative or harmful, such agreements should be subject to determining whether they were genuinely open to other countries and conducive to further openness or liberalization in the system, or - as was usually the case - constituted steps towards creating preferential trade areas. In fact, they were often based on complex sets of rules of origin and other procedures that resulted in discrimination against non-members and allowed only the signatories to benefit from trade liberalization.

3. Contrary to what is generally believed, the international trading system had always aimed at progressive - not immediate - liberalization. The spirit of the system did not call for full liberalization but for the elimination of discrimination. The General Agreement on Tariffs and Trade (GATT) had been developed with a view to averting discrimination between countries. Accordingly, GATT articles I and II were entirely dedicated to that issue and included the so-called most favoured nation clause. That precise objective was currently threatened by the proliferation of preferential agreements which, by definition, amounted to discrimination in favour of some countries against others and were contrary to the spirit of the system. Agreements that introduced complex innovations in terms of preferential rules could hardly contribute to multilateralism. In fact, they might only serve to conceal the pursuit of preferential advantages incompatible with free competition. There was not much that WTO could do in that regard because GATT article XXIV, which established prerequisites for the approval of such agreements, was too loose and it had so far been impossible to establish stricter rules in that area.

4. Regarding the second threat to the multilateral trade system, negotiations should be concluded within the established time limits in order to prove the multilateral system's effectiveness and show that recourse to bilateral and regional agreements was unnecessary. There were, however, ongoing attempts to reinterpret what had been agreed at Doha with regard to such issues as trade and public-health-related intellectual property rights. That matter had been addressed at Doha in a separate declaration, on whose implementation an agreement should be reached by the end of 2002. In connection with the relevant

discussions, the introduction of additional requirements and lists of illnesses and the tendency to favour some countries to the detriment of others gave cause for concern.

5. The greatest challenge seemed to be the promotion of trade liberalization in respect of goods of particular interest to developing countries: agricultural produce, sensitive products and low-cost manufactures (textiles, clothing, footwear etc.). Such goods were the main exports of developing countries but, paradoxically, ran into the stiffest tariff barriers. In the United States, for instance, average duties levied in 2001 on Bangladesh and French products amounted, respectively, to 14 per cent and 1 per cent because Bangladesh exports (textiles and garments) belonged to highly protected categories, while France exported luxury and other articles, which faced no discrimination. By any reckoning, a situation where the world's poorest countries were confronted with much greater barriers than the rich economies defied common sense.

6. Perseverance with the multilateral approach was necessary. Yet the prospects were not particularly encouraging, especially in view of recent problems regarding liberalization related to agriculture. The Fifth Ministerial Conference to be held at Cancun, Mexico in September 2003 by WTO would be crucial to the outcome of the round of negotiations. Reaching optimal results at Cancun required progress in all sectors, especially agriculture. Such progress presupposed agreement by March 2003 on negotiation procedures (principles, time limits, formulas etc.) regarding agriculture, and therefore the formulation of specific proposals by the end of 2002. Since, however, of the three main players in international trade, namely, the United States, the European Union and Japan, only the United States had made public proposals, attainment of the goals in question was practically impossible.

7. Harmonized and balanced trade liberalization was in the interest of all concerned. If all agricultural and industrial products and services were not traded freely, on the basis of comparative advantage and without discrimination, no free trade would be possible at all. Liberalization could not be selective lest every country should tend to only liberalize trade in products in which it enjoyed a competitive advantage.

8. Despite difficulties, pessimism could be avoided. A constructive approach should be adopted and efforts redoubled in New York and Geneva in order to ensure progress in the negotiations. The Committee had a special responsibility to follow up on the main conferences that had taken place, particularly the Monterrey Conference, and see to the implementation of the respective agreements and commitments. That task called for a specific evaluation of progress made regarding those commitments, which - as shown in the Monterrey Declaration - were closely interrelated. Pursuing the Millennium Development Goals required progress on all fronts. The main source of financing for such objectives was trade, much more significant in that regard than debt relief, official development assistance (ODA), which was decreasing, and foreign direct investment (FDI), which focused on a small number of countries. Trade was therefore a key to attaining those goals. UNCTAD planned to cooperate closely with the Committee in a constructive and non-discriminatory spirit, to the benefit of all countries and with due consideration for the interests of the more vulnerable members of the system: the least developed countries, the African States, and the developing countries in general.

9. **Mr. Vallenilla** (Venezuela) speaking on behalf of the Group of 77 and China, said that international trade had been an essential element in the negotiations conducted out at the level of the United Nations in 2002. The International Conference on Financing for Development and the Johannesburg Summit preparatory process had highlighted concerns related not only to trade itself, but also to the consequences of making no progress in that area. If trade, in terms of added value, did not contribute to capital formation in developing countries and to the financing of sustainable long-term development, the outcome of the negotiations would be scanty.

10. During the previous three decades, developing countries had integrated rapidly into the global trading system and their share in the international commodities trade had increased from less than one fourth to nearly one third. Benefits, however, had fallen far short of expectations. In almost all developing countries, imports had expanded faster than exports, resulting in a deterioration of the balance of trade. Market diversification had been slight for most developing countries, which continued to depend on exports of products with a high raw-material and labour content.

11. After the Doha Conference, the WTO work programme had aroused high expectations in the developing countries, which had demonstrably supported the international trading system by making considerable additional commitments under the WTO agreements. Regrettably, no significant progress had so far been made on issues of particular interest to the developing countries and the treatment of the relevant matters was behind schedule.

12. The UNCTAD Secretary-General had warned of the risks involved in using the expression "Doha Development Agenda (DDA)" in public relations slogans. Such a usage could undermine multilateralism as a whole and the system's credibility, which was vital for universal compliance with rules and for preserving the meaningfulness of the term "development" in the post-Doha process. Developing countries should be able to ascertain the focus of current WTO negotiations and of the final agreements reached on development and on tangible results in their favour.

13. Currently, the credibility of the Doha process would be maintained, if favourable results were achieved not only in sectors that some countries considered as priority areas, but also in terms of trade opportunities offered to the majority of nations; if negotiations on agriculture eliminated the distortions created by the domestic policies of some developing countries; if the implementation problems generated by the Uruguay Round were resolved; and if feasible ways of ensuring the compatibility of the Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPs) with public health policies were identified. The issue at stake in the WTO negotiations was the international community's capacity to put trade at the service of development.

14. Despite progress made in the Uruguay Round and the Doha Declaration, protectionist measures still applied to products and sectors that offered greater possibilities to developing countries, such as agricultural produce, textiles, and certain manufactures. In that connection, developing countries were confronted with the same trade problems that they faced ten years earlier, particularly protectionist tariffs that distorted the terms of trade and ran counter to the objectives of trade liberalization.

15. Confidence in the multilateral trading system must be restored and, to that end, the interests of the developing countries, such as resolution of implementation problems, special and differential treatment (SDT), improved market access and institutional capacity building programmes, should be taken into consideration in view of the Fifth Ministerial Meeting at Cancun, thereby providing tangible proof of the multilateral trading system's progress in terms of promoting development.

16. The slowness of WTO membership procedures gave cause for concern. The organization was still very far from universality and it was impossible to claim any linkage between trade and development while none of the least developed countries had been able to join WTO since the Uruguay Round. Since regional integration was crucial to economic growth in the developing countries, development should be part of any planned improvements. In that connection, imbalances in the agreements between developed and developing countries should be identified and the unfair obligations imposed on the development partners should be reduced.

17. UNCTAD played a key role in the provision of technical assistance to developing countries, thereby contributing to their integration in the world economy. Accordingly, it was necessary to strengthen that body and build further its capacity to assist developing countries in the areas of trade, development-related issues and the implementation of the Doha work programme.

18. **Ms. Juul-Jorgensen** (Denmark), speaking on behalf of the European Union; the acceding countries Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Slovakia and Slovenia; the candidate countries Cyprus, Malta and Turkey; and, in addition, the European Free Trade Association (EFTA) country member of the European Economic Area, Iceland, said that trade was an integral part of macroeconomic policy issues and, by contributing to economic growth, could spur development and reduce poverty. The European Union fully supported trade liberalization and the timely conclusion of negotiations under the Doha Development Agenda (DDA). The commitments contained in the Doha Ministerial Declaration were crucial to market access and therefore to the integration of developing countries into the global economy. In the framework of the generalized system of preferences (GSP), which provided least developed countries with duty-free and quota-free access, and of bilateral and regional agreements, the European Union granted preferential market access to

developing country exports. Trade between the European Union and the developing countries attested to their increasing integration into the global trading system. Since 1995, developing country exports to the European Union had increased by 15 per cent annually and, in 2000, accounted for 42 per cent of total European Union imports.

19. However, despite its importance to development and to poverty reduction, market access alone was not sufficient to bring about improvement but should be backed by sound domestic policies as part of country-owned poverty reduction strategies that encompassed a trade policy and trade development programmes. External support and a favourable international regulatory environment were often necessary for such strategies. The multilateral trading system, in the form of the broad WTO agenda agreed at Doha, was an important part of that international environment and should as much as possible contribute to development. The European Union was resolved to expand its trade-related technical assistance programmes in order to enable developing countries to use the possibilities offered by trade liberalization. In September 2002, the European Commission had spelled out a series of measures in fulfilment of its Doha and Monterrey trade-related capacity-building commitments. In the following weeks, the trade and development ministers of the European Union would follow up by formulating an ambitious trade and development strategy.

20. **Mr. Requeijo** (Cuba) endorsed the statement made by the representative of Venezuela on behalf of the Group of 77 and China and stressed the importance of strengthening the role of the United Nations in promoting trade as a catalyst for development. The current international trading system needed reform. It should be transformed into an equitable framework providing developing countries with special and differential treatment (SDT) and easier market access and eliminating tariff and non-tariff barriers to trade.

21. While developing countries were asked with growing insistence to open up their markets, developed nations took ever more protectionist measures to the detriment of development. Compliance with commitments contained in the Doha Declaration could contribute to rectifying imbalances in the current multilateral trading system and to incorporating the development perspective into multilateral trade guidelines. Developed nations, however, lacked the political will to comply with those commitments, as was evident from the deadlock reached by negotiations on issues vital to developing countries, such as special and differential treatment (SDT), support for small economies, resolution of implementation problems, textiles, and intellectual property in respect of medicines. It was necessary to make progress in those negotiations and to implement the Doha Declaration and the other decisions adopted at the Fourth Ministerial Conference, especially with regard to the issues that should be resolved before the Fifth Ministerial Conference scheduled for September 2003 at Cancun. Moreover, the development-related commitments made at Doha should not be used as bargaining chips in the negotiations on the so-called Singapore issues, namely, investment, competition policy, public contracts and facilitating trade.

22. In addition to its fundamental contribution to the work of WTO, UNCTAD played a key role in the preparation of developing countries for effective participation in global negotiations. To that effect, it was appropriate to reiterate the need to strengthen UNCTAD by providing it with the human and financial resources necessary for carrying out the tasks assigned to it as a result of the Bangkok and Doha Conferences. It was essential to establish a new world order that would remove the current inequalities and imbalances between the developing world and the developed countries.

23. **Mr. Isakov** (Russian Federation) said that international trade was one of the main sources of funding social and economic development in developing countries and countries in economic transition. Access to a fair market share was a key to sustainable development. Regrettably, most of the problems encountered in the area of international trade stemmed from restrictions on market access and from import duties imposed by the developed countries in a bid to make their markets less accessible to more competitive products from developing countries or economies in transition. Progress made in that regard was too slow. It was high time to move beyond mere declarations and to actively build specific mechanisms ensuring a stable, predictable and non-discriminatory access to the international markets, particularly for countries in economic transition seeking WTO membership. In that regard, the agreement, reached at the Fourth Ministerial Conference at Doha, to launch a new round of multilateral trade negotiations, had been a highly constructive step. It was to be hoped that

WTO should turn into a more inclusive organization, applying relevant rules on a non-discriminatory basis, especially with regard to the terms of entry of new members. Full integration of the Russian Federation into the global economy was impeded by unfair barriers to its membership of WTO. Russia's entry into WTO should occur in accordance with the applicable rules and on realistic terms. As the process in question was supported by internal reforms and constituted one of the country's strategic economic tasks, membership quality was more important to the Russian Federation than the speed with which membership was granted.

24. In the new round of talks, priority issues should be the liberalization of trade in agricultural products and services; revision of WTO rules regarding anti-dumping practices, subsidies and countervailing measures; simplification of trade procedures; and examination of trade dispute settlement mechanisms. Regarding agriculture, it was necessary to establish specific parameters permitting to quantify domestic aid and export subsidies. With regard to services, there was a need for broad negotiations based on a set of well-defined principles and for the preservation of the structure of the General Agreement on Tariffs and Trade (GATT). Current anti-dumping measures should be revised with a view to submitting exports to a standard review procedure taking into consideration the operation of a market economy in a given country. Moreover, WTO rules for trade dispute settlement should progressively become more specific. The Russian Federation was ready to actively participate as an observer in the new round of WTO negotiations and looked forward to a simultaneous resolution of the problems related to its entry in that organization.

25. UNCTAD played a key role as the United Nations system's main coordinating body for trade and development. It constituted one of the most authoritative international fora for the examination of current and future problems related to the liberalization of international trade in goods and services, the intensification of financial flows and the promotion of technology transfer. UNCTAD's contribution to developing countries and economies in transition in terms of building their efficiency in the area of foreign trade, creating infrastructure necessary for development and helping them to become integrated into the multilateral trading system should be maintained and reinforced. The technical cooperation programme recently approved by the UNCTAD Secretary-General was highly encouraging. Focused on the fulfilment of commitments made at Doha, that programme aimed at supporting the participation of developing countries in the WTO work programme based on the Doha conference. The initiative addressed various issues that were vital to the development of business in countries with an economy in transition regarding, particularly in the areas of trade, investment and electronic commerce. It should be hoped that the programme of the new round of negotiations would duly reflect the specific interests of developing countries and countries in economic transition, particularly those seeking WTO membership.

Mr. Benmellouk (Morocco), Vice-Chairman, took the Chair.

26. **Ms. Goh** (Singapore) endorsed the statement made by the representative of Venezuela on behalf of the Group of 77 and China and said that the main characteristic of the current international trading system was hypocrisy, since poor countries were under pressure to open up their markets while the developed countries imposed protectionist measures. Since agriculture was the backbone of most developing countries, massive subsidies in the developed world undercut their economies, forcing even the most efficient producers out of the market.

27. It was telling that the three major conferences held during the past year had referred to the importance of trade liberalization as a tool and as a source of financing for development. Indeed, a freer and more stable trading environment would constitute a powerful catalyst for job creation, poverty reduction and enhanced market vibrancy.

28. The Doha Development Agenda (DDA) had laid the foundations for mobilizing resources for development and facilitating the integration of developing countries into the global economy. Launching DDA had shown that most countries, if not all, were aware of the benefits of trade liberalization and of a more open multilateral trading system. The current worldwide economic slowdown accentuated the need to steadily combat protectionism, since growth clearly accelerated when international trade grew faster than world output. The disappointing global economy forecasts for 2002 further underscored the importance of promoting DDA.

29. There was widespread awareness of the considerable economic benefits to be expected from

trade liberalization. For instance, the International Monetary Fund (IMF) and the World Bank estimated that attaining seven of the United Nations Millennium Development Goals would require $54 billion annually, just one third the estimated gains of developing countries from trade liberalization. Consequently, efforts to implement DDA, as a source of financing for development, were vital. The international community should use its collective wisdom in seeking genuine market access for the goods and services of all, especially those supplied by developing countries. Safeguard provisions must be interpreted appropriately, not as a basis for protectionist measures, and any attempt to link market access and development assistance to utopian aspirations in the areas of human rights, environmental preservation or protection of labour standards should be combated.

30. Regional initiatives were also crucial to dealing with general problems posed by globalization. In that connection and in view of the considerable benefits that they may expected from facilitating trade, countries should not await the conclusion of the Doha round of negotiations before launching reforms or liberalizing trade.

31. In the face of recession, the Association of Southeast Asian Nations (ASEAN), to which Singapore belonged, was committed to liberalizing trade within the region and in cooperation with other economic associations. ASEAN had intensified its economic cooperation with countries in various parts of the world, including the United States, Japan, Korea, India, Australia and New Zealand. Currently, 80 per cent of Singapore's trade involved countries outside the region, while 90 per cent of foreign direct investment (FDI) in Singapore originated in other regions. Moreover, various regional economic cooperation initiatives had been launched, such as the ASEAN Free Trade Area (AFTA) and the ASEAN free investment area. An agreement signed with China in 2002 provided for the creation within ten years of a free trade area, which would be the world's largest.

32. To serve as engines of economic growth and development, globalization and trade liberalization should be supported by appropriate measures. The developing countries needed assistance in developing material, educational, legal and political structures necessary for active participation in the global economy. As the Human Development Report pointed out, globalization should take into consideration not only economic benefits, but also human needs.

33. **Mr. Ramadan** (Libyan Arab Jamahiriya) endorsed the statement made by the representative of Venezuela on behalf of the Group of 77 and China and said that trade was an increasingly significant component of development strategy. Through resolution 55/182 on "International trade and development", the General Assembly had supported the expansion of the multilateral trading system to include, in a transparent and non-discriminatory manner, the developing countries and the countries with economies in transition; encouraged the removal or reduction of tariff and non-tariff barriers; and reaffirmed the role of the United Nations Conference on Trade and Development (UNCTAD) as the focal point within the United Nations for the integrated treatment of issues related to international trade and development.

34. In 2001 and 2002, a slowdown in tourism and an increase in transport costs had brought about a serious economic and commercial crisis. Trade, which in 2000 had increased by 11 per cent, was expected to increase by only 3 per cent in 2003. African, Asian and Latin American exports had decreased enormously. The multilateral system was characterized by inadequacies in relation to commercial infrastructure and competitive capacity and was hampered by protectionist and anti-dumping measures taken by the developed countries. An end should be put to the coercive measures unilaterally implemented by those countries in violation of multilateral trade agreements and to the detriment of economic and social progress.

35. Important recommendations formulated at the Conferences held at Doha, Monterrey and Johannesburg should facilitate the integration of developing countries into the international trading system, by making their entry into WTO easier, building their capacity for export diversification, liberalizing the market, increasing financial and technical assistance and promoting cooperation between the public and private sectors. The delegation of the Libyan Arab Jamahiriya hoped that all parties would live up to their commitments and make decisions favourable to the developing countries. The International Ministerial Conference on Transit Transport Cooperation to be held in Kazakhstan should address the problems faced by land-locked developing countries. The first phase of the World Summit on the Information Society (WSIS), to be held at Geneva in

2003, should contribute to improving the access of all countries to information and communication technology and bridging the digital divide.

36. **Mr. Valera** (Mexico) said that international trade, a pillar of global development, should be strengthened and liberalized, while the unilateral and protectionist measures that distorted the terms of trade should be eliminated. To that end, developing countries should be provided with market access opportunities, subsidies should be eliminated in the developed countries and developing countries should receive human and technical capacity building assistance. The praiseworthy outcomes of recent conferences and meetings on such issues should translate into systematic measures aimed at greater balance in international trade in favour of the developing and least developed countries. It was to be hoped that the recommendations of the Fourth Ministerial Conference, held at Doha, regarding special and differential treatment (SDT) provisions would help to enhance the participation of developing countries in the current process of multilateral negotiations conducted by WTO. It was crucial that progress in favour of the developing countries should be achieved at the Fifth Ministerial Conference to be held in Mexico in 2003 and that the international community should give clear priority to the issue of development.

The meeting rose at 6.00 p.m.